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**PR Newswire**Oct 12, 2000

**Reliant Energy, Rayburn Country Electric Cooperative Sign Long-Term Contract Covering Electric Power Supply and Services for 120,000+ East Texans.**

HOUSTON, Oct. 12 /PRNewswire/ --

Reliant Energy Wholesale Group, an unregulated unit of Reliant Energy (NYSE: REI), and Rayburn Country Electric Cooperative, Rockwall, Texas, today announced the signing of a long-term contract covering a comprehensive package of electric supply and services that Reliant Energy will supply the cooperative and its customers in Northeast Texas for its load in the Electric Reliability Council of Texas.

Revenues to be derived from the contract are in excess of $300 million. "This is a customized, 'full-requirements' package, which includes providing Rayburn more than 450 megawatts of firm power, ancillary, and energy services -- including risk-management products -- that will benefit more than 120,000 end-users of Rayburn Country Electric Cooperative's five area distribution cooperatives," said Joe Bob Perkins, Reliant Energy Wholesale Group president and chief operating officer.

Rayburn Country Electric Cooperative provides power and energy services to five electric distribution cooperatives that provide retail electric service to more than 120,000 consumers. These cooperatives include Fannin County Electric Cooperative, FEC Electric Cooperative, Grayson-Collin Electric Cooperative, Lamar County Electric Cooperative, and Trinity Valley Electric Cooperative. All of Rayburn's customers are located in 16 counties in Northeast Texas, just east of the Dallas metroplex, including portions of Fannin, Grayson, Hunt, Lamar, Collin, Delta, Red River, Kaufman, Van Zandt, Henderson, and Anderson counties.

"I believe the Reliant Energy Purchase Power Agreement (PPA) entered into this summer provides Rayburn and its members with the most reliable and economical power available during the period of the contract, while maintaining the greatest amount of flexibility

for Rayburn," said John Kirkland, Rayburn Country Electric Cooperative president.

Jack Schwartz, chairman of the board and chief executive officer of Trinity Valley Electric Cooperative, one of Rayburn's member systems, added: "Rayburn's goal has been to maintain stable and competitive rates for its members, and the Reliant PPA allows us to meet this goal and to address new opportunities that 'go beyond' the normal business as usual."

"We are pleased to provide the types of energy supplies and services that are increasingly required by our public power customers across the United States and, especially, to provide the leading-edge products and services specifically tailored to a growing and valued list of electric cooperative customers in Texas," added Reliant Energy's Perkins.

Reliant Energy has teamed up with City Public Service of San Antonio to provide power for Rayburn's load. In addition, Reliant Energy's 780-megawatt cogeneration plant under construction in Harris County, known as the Equistar Project, is scheduled to be operational in the fourth quarter of 2001. Reliant Energy also has additional power under contract to meet Rayburn's needs.
In addition to the contract with Rayburn Country Electric Cooperative, Reliant Energy has a long history of transactions with cooperatives and public power including contracts with the Seminole Electric Cooperative in Florida, the Alabama Electric Cooperative, and the Big Rivers Cooperative in Kentucky. Reliant Energy also provides long-term marketing for the City of Springfield, Illinois.

Currently, across the United States, Reliant Energy is contemplating, or is in process of developing, 5,000 megawatts of new unregulated power plants to provide needed supplies of electricity to meet anticipated peak demand by consumers in Texas, Arizona, Illinois, Florida, and Pennsylvania.

Reliant Energy, based in Houston, Texas, is an international energy services and energy delivery company with $20 billion in annual revenue and assets totaling $30 billion. The company has a wholesale energy trading and marketing business that ranks among the top five in the U.S. in combined electricity and natural gas volumes and has a presence in most of the major power regions of the U.S. It also has power generation and wholesale trading and marketing operations in western Europe. The company has nearly 27,000 megawatts of power generation in operation in the U.S. and western Europe and has announced acquisitions and development projects that will add another 4,000 megawatts. Reliant Energy also has marketing and distribution operations serving nearly four million electricity and natural gas customers in the U.S., interests in power distribution operations in Latin America, and a telecommunications business serving the Houston area.

For more information about Reliant Energy, visit the company's website at www.reliantenergy.com.

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Insight on the NewsJune 11, 2001

Californians Enter `In-the-Dark' Age.

Author/s: Hans S. Nichols

California Gov. Gray Davis is using the state's general fund to purchase electricity, but refuses to reveal how much his gamble is costing the Golden State in the process.

While darkness at noon threatens every day, California Democratic Gov. Gray Davis is keeping voters in the shade on another matter: how much they are paying for their extra juice. As the Golden State's independently owned utilities flirt with bankruptcy -- one of the three already has declared Chapter 11 -- the governor's office, through the California Department of Water Resources, is using the state's general fund to purchase electricity.

And Davis is making these purchases under a "veil of secrecy," says Republican Assemblyman Tony Strickland, who notes that the governor refuses to reveal how much he's paying and to whom. GOP state Sen. Tom McClintock charges that the governor is "day trading in the electricity market" to the sum of $50 million per day and more than $1.5 billion per month. Has Davis gambled away the state budget surplus with the hope that ratepayers eventually could be made to pick up the losses?

No one who knows will say. And Davis is not about to admit that he's lost his shirt at a commodities craps table known as the electricity spot market. All he wants is another $13.4 billion from Californians to keep going, critics say, until he can find a way to turn it into a political win. Under the pretense that divulging how much the state pays for electricity will dilute his bargaining power with energy wholesalers, Davis and the croupiers are staying mum. To Strickland, the governor's silence reflects intransigence. So he, along with 17 fellow Republican lawmakers, filed suit under the California Public Records Act to require Davis to release these figures. "When my constituents ask me `How much is it costing us to keep the lights on?' I don't have an answer" Strickland tells Insight.

While Davis' press secretary, Steve Maviglio, dismisses the legislators' lawsuit as "partisan nonsense" such a description hardly can be applied to an identical lawsuit filed by the state's leading newspapers. That is, unless the San Francisco Chronicle and the Los Angeles Times, both of which endorsed Davis, have made a political turn worthy of a Hollywood script. The lead counsel for the newspapers, Alonzo Wickers of Davis Wright Tremaine, simply argues that "secrecy in government is corrosive. It fosters distrust and cynicism about government."

To Strickland, the governor's credibility is stretched as thin as his line of credit: "Davis has been very disingenuous. Our system is based on public trust and, by keeping these numbers secret, Davis threatens to violate this confidence." When Assemblyman Strickland first requested invoices for the state's purchases of electricity and natural gas, he directed his inquiry to the Office of Public Finance (OPF). The agency is responsible for tracking the general fund and any budget surplus that materializes. This seemed like a logical place to start, but the OPF pleaded ignorance and referred him to the Department of Water Resources.
Strickland was shocked. While Davis steadfastly had guarded the numbers from the public, the assemblyman "never guessed that he'd kept those figures from his own finance department." Strickland tells Insight, "Not only does the right hand not know what the left hand is doing, but even the left hand doesn't know."

As Davis dispatches lawyers to keep his gambling losses secret, critics note, Democrats in Washington are calling for a full audit of the wholesale energy market. At a May 10 press conference attacking Vice President Dick Cheney's energy plan before it was even released, Sen. Byron Dorgan, D-N.D., demanded that we "shine a spotlight on energy supply" and wondered "who's making the money and why." Larry Klayman of Judicial Watch, who also is suing the California governor to get a look at his plays on the energy craps table, could suggest Dorgan give Davis a call in Sacramento.

Defending the governor's silence, Maviglio -- one of the few Davis aides who will talk on the record -- loyally insists that "the more information you give away the less bargaining power you have" with the energy wholesalers. But even the governor's state controller, fellow Democrat Kathleen Connell, has a difficult time swallowing the Davis secrecy argument since many of the long-term contracts already have been signed. "Why is this still sensitive, and who makes that decision?" Connell wonders. Capitol Hill economists laughingly say it's hard to believe Davis ever had any negotiating power in an open commodities market where sellers were well-aware his state was facing blackouts nearly every day.

Back in February it appeared that Connell would release the figures. But at the 11th hour and under pressure from the governor and state Attorney General Bill Lockyer, she bowed to her party bosses. Since then, apparently embarrassed, Connell's office has released

what numbers are available on the Davis electricity gambles. In a testy March 21 letter to the governor she lamented that the general fund already had lost $5.3 billion to electricity purchases, and she denied his request for an additional $5.6 billion.

So where will Davis get those billions in unallocated funds when the electricity invoices come due and the repo man comes knocking? While the Golden State treasurer looked for a bridge loan, the Democratic-controlled Legislature passed a $13.4 billion bond measure on May 9. But the bond money won't be available until the end of the summer, when the situation no longer is expected to be critical. And since Connell refuses to release additional funds, the money can come only from interdepartmental transfers -- which, according to some GOP legislators, is a polite way of saying the governor is cooking the books.

Davis, of course, is not the father of this electricity mess. As Fred Smith, president of the Washington-based Competitive Enterprise Institute, puts it: "He inherited a flawed position, but he's done just about everything possible to make it worse." While its population increased 14 percent, California has not built a major power plant in 12 years. By some estimates, demand has outpaced supply by a 5-to-1 ratio. Smith notes that the NIMBY (Not In My Back Yard) argument against building generators in California has morphed into a BANANA offensive (Build Absolutely Nothing Anywhere Near Anybody).

The governor blames the halfhearted and sputtering 1996 Deregulation Act, which was "deregulatory" in name only. As U.S. Sen. Dianne Feinstein, D-Calif., explained in a February speech to the American Public Power Association, "It deregulated wholesale power, but it regulated the retail side."

While the energy suppliers could continue to charge the utilities a market rate for energy -- something the Legislature apparently could not prevent -- the new law prevented the utilities from passing on those market costs to consumers. Result: The utilities began defaulting on their payments and now must have a subsidy or line of credit from the state to buy power from the wholesalers. Failing that, even with substantial rate increases, there will be shortages.

In Washington, some Democrats say the way to fix all this is to establish a national system of price controls at every level -- something that always has created shortages and often rationing.

Skeptical of free markets, they are calling for the Federal Energy Regulatory Commission (FERC) to set wholesale price caps. "Many of the markets are broken," ventured Sen. Jeff Bingaman, D-N.M., at the May 10 press conference. "This is not a free market in energy, not in oil and certainly not in electricity."

In what one Washington wag called a triumph of metaphor over macroeconomics, Dorgan blamed consolidation of energy

conglomerates for "clogging the arteries in a free-market system." And Sen. Joseph Lieberman, D-Conn., complained of "price gouging" by nameless wholesalers. Only a proactive FERC would prevent the energy companies from profiting from droughts, heat waves and regional power disparities, the senators argued.

But to others, the only solution to unfair prices and/or shortages is to be found in a free market through total deregulation. They point to the successful deregulation policies in mid-Atlantic states where prices are declining and brownouts are not an issue. Naturally, there is scant interest among California politicians in allowing rates to rise in accord with market prices.

Perhaps the most onerous provision of the 1996 act effectively prevents utilities from entering into long-term contracts, Strickland notes. Like buying an airplane ticket, consumers may get a better price the further they buy in advance. But, under the act, the utilities face stiff fines if the regulators decide their long-term contracts weren't inked at the most favorable rates. This discouraged them from making long-term contracts, where energy could be had at around 7 cents per kilowatt hour, and forced them into the spot market where prices range anywhere from 30 to 40 cents.

Since January, Davis has been dipping into the budget surplus and other accounts to cover the difference. His request to the Legislature for a $13.4 million advance suggests he has not been a winner. By approving the bond, the Democrats "committed as pure an act of faith as you can make outside of a church" McClintock says.

And, if the gambling skills of Davis are as bad as GOP legislators fear, some would rather not know how much he's lost. "Around here, ignorance is bliss" McClintock offers. With more "grayouts" expected this summer, Californians may have to get used to living in the dark in more ways than one.
And, if the gambling skills of Davis are as bad as GOP legislators fear, some would rather not know how much he's lost. "Around here, ignorance is bliss" McClintock offers. With more "grayouts" expected this summer, Californians may have to get used to living in the dark in more ways than one.

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**The Chief Executive**April, 2001

**California Blaming.(electric utilities and deregulation)(Brief Article)**

Author/s: Sally C. Pipes

"Capitalism is falling apart," emotes the Los Angeles Times' left-wing columnist Robert Scheer, who references California's power problems as exhibit A. "The result [of deregulation] is now bordering on the catastrophic, with utility companies demanding enormous rate increases or they will declare bankruptcy."

"The experience raises questions about deregulation," warns MIT economist and New York Times columnist Paul Krugman. "And more broadly, it's a warning about the dangers of placing blind faith in markets."

Liberal columnists and economists aren't the only ones piling on. PaineWebber chairman Donald Marron recently told CNBC that California's energy market needed to be re-regulated. But there's another view. "The idea that we were deregulated is preposterous," says Stephen L. Baum, CEO of Sempra Energy, parent of San Diego Gas and Electric.

Baum's right. Deregulation didn't cause California's crisis, since the state's energy market was never deregulated. Scheer's cry that utility firms are "demanding enormous rate increases," should be evidence enough, since companies operating in a free market, such as gasoline firms, don't demand "rate increases." There's no one to demand one from.

The details of California's crisis, rooted in basic supply-demand economics, are too numerous to list. (From 1996 to 1999, power usage increased by 12 percent, while supply increased by a mere 2 percent, since not a single new power plant was built in the last decade.) But California's fiasco is hardly a cautionary tale for real deregulation and the efficacy of free markets. It is, however, a cautionary tale for executives signing on to half-baked command-

and-control market hybrids flying under the flag of free markets.

Prior to 1996, the majority of Californians bought power from investor owned utilities operating under standard cost-plus regulations. For reasons ranging from bone-headed investments to forced contracts with "alternative energy" suppliers, expensive power was depressing the local economy. In 1996, the legislature passed unanimously, and Republican Governor Pete Wilson signed what was billed as a new energy law. Astute observers knew it was nothing of the sort.

In a free market, the prices of both the power bought and sold by utilities are set by the interplay of supply and demand. The 1996 bill capped consumer prices, while freeing the whole sale prices utilities paid for power. And they'd need to buy a lot of power, since the law forced the state's investor-owned utilities to sell most of their generating plants.

In a free market, companies often decide to negotiate contracts to ensure long-term supply. Under the California law, state regulators at the Public Utilities Commission (PUC) refused to allow utilities to enter into long-term contracts for power delivery. They wanted to ensure a high volume on the only spot market on which they allowed utilities to buy and sell. They also worried that the deals large utilities would negotiate would be so sweet they'd prevent other firms from entering the market.

In March 1999, Edison asked per mission to contract for 10 percent of its peak demand power. In July 1999, the regulators turned Edison down. "You just can't allow any contract," said PUC President Loretta Lynch.

Not that they're inflexible. In December 2000, regulators decided that utilities could enter into contracts for $.06 per kilowatt-hour. By that time, prices were hovering at $.25 per kilowatt-hour.

There's one other attribute critical to a free market. When resources become scarce, prices increase and consumers have an incentive to conserve, find substitutes, or, in the case of power, fight advocacy groups working to block the building of power plants. Yet with price controls in place, the wholesale price of power didn't affect anyone's final bill, and therefore they kept the lights, air conditioners, and computers on.

So after the government caused the fiasco, albeit with assistance from shortsighted utilities that welcomed the scheme, politicians promise to play an even larger role in the energy sector by actively buying and selling power. Liberals have long-dreamed of statewide public power in California as they have sought to discredit deregulation of anything. At least California's so-called deregulated market gave one group something it wanted.

Sally Pipes (spipes@pacificresearch.org) is president of the Pacific

Research Institute for Public Policy, a San Francisco think tank that analyzes national economic and social problems and proposes solutions.

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**E: The Environmental Magazine**Sept, 2001

**Brownout.(Brief Article)**

Author/s: Kyra Epstein

Will Green Power Survive California Energy Crisis?

With bated breath, the nation has been watching California to see how electric utility restructuring would affect the price of power, the reliability of electric service and the green power industry. Consumer advocates hoped for lower power prices. Environmentalists hoped to see green power on a larger scale than ever before. But skyrocketing energy prices and rolling brownouts in California tell another story. Failed policies have left the utilities in financial dire straits, and many experts are scratching their heads about what to do next.

As California tries to get ifs power industry back on its feet, environmentalists say the state's burgeoning retail green power market (which was the largest in the nation) may be the biggest loser next to consumers.

California enacted laws and policies that restructured the utility industry in 1998. The laws allowed companies other than the utilities to offer electricity to home and business customers. In a restructuring similar to that of the long-distance phone industry, consumers for the first time had more than one choice about from whom they bought their power and how it was generated.

The new system was supposed to give everyone in the market a level playing field. But some say the situation was never completely fair for small, independent power providers who had to compete with the large, established utilities.

"California deregulation was rigged to favor utilities" says Rick Cunniham, $an Francisco manager of Green Mountain Energy, one of the most successful green power providers. "It was set up so that no one could offer lower prices than the utilities. If you can't offer lower prices, you have to find another benefit."

To compete, many independent power providers, like Green Mountain, offered "premium" environmental power products: power that was more expensive than utility power but generated from dean renewable energy sources like wind, solar, geothermal and hydropower. Though California utilities had been including some green power in their energy mix--25 percent of electricity production in 1996, according to the California Energy Commission--the premium green power sold by independents became the largest competition for utilities. Cunniham says two percent of residential and commercial users in California, more people than in other restructured states, switched to alternative power providers. Things were looking up for green power.

But then wholesale prices of fossil fuels on the state's power exchange, a trading market for power similar to the stock market, went up from three cents per kilowatt-hour to 27 cents per kilowatt-hour. According to Dr. Jan Hamrin of the Center for Resource Solutions in San Francisco, the new system was thrown into crisis by June of 2000.

"When power exchange prices went up around 24 cents, it started going crazy," she says. "Most of the green power marketers had priced their products tied to power exchange prices. This caused a cash-flow problem."
With limits on how much they could charge, utilities were paying more for power than they could get back. Facing bankruptcy, utilities stopped paying their bills, which left power generators without funds to operate or build new plants. With no way to price their products, green power providers were faced with angry and confused customers. "Within a week, the whole market collapsed," says Cunniham. "We returned the majority of our customers to the utility."

Bodhi Burgess, environmental sustainability coordinator for Birkenstock USA in San Francisco, says Green Mountain's retreat from the California market has left the company feeling uncertain about its energy future. About a year after Birkenstock signed on as Green Mountain's largest corporate customer in California, Burgess got a phone call with the bad news. "They told us there was no way for them to continue providing us power," says Burgess. "If given the choice, our company would like to support clean air again. But, for a while, I think it's going to be difficult for alternative power providers to be competitive."

Experts on the California power industry, like Hamrin, agree it will be impossible for green power providers to emerge from the crisis unscathed, and gaining back consumer confidence will be difficult. "It's a big mess in California," she says. "Renewables, because they can add price stability, are part of the solution, but they are collateral damage in all the wars going on."

Hamrin says the state legislature will need to start over to create a

balanced system with diverse sources of energy and a variety of contracts. "We need major surgery; I'm not sure first aid is going to work," she says. "All these things need to be done in a coordinated manner."

An emergency session of the California legislature convened last January to find a solution to the state's power problems. Steven Kelly, policy director for the Independent Energy Producers Association in Sacramento, says the legislature passed a bill that allows the state, rather than the utilities, to procure energy.

Kelly says the lawmakers' focus on utilities has stymied the growth of alternative power providers in California. He adds that no one in the legislature is actively pushing for a more vibrant market system. "Saving the utilities is the focus, rather than letting them implode," says Kelly. "The green power market isn't dead, but its future is questionable right now."

High prices and rolling brownouts are the only near-term guarantee in the California energy market. Since renewable energy offers at least a partial solution to the state's ongoing woes, it may be the strongest alternative to a continuing pattern of long, hot summers. CONTACT: Center for Resource Solutions, (415)561-2100, www.resource-solutions .org; Green Mountain Energy, (877)682-7794, www.greenmountain.com.

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**Real Estate Weekly**May 23, 2001

**Why the lights will stay on.(Insignia/ESG Inc. establishes policies and programs to save energy)(Brief Article)**

Author/s: Gregg Popkin

Along with the negative publicity associated with the California energy crisis over the past six months, a positive trend has begun to emerge in the New York real estate market: owners and managing agents have been stepping up their focus on conservation and energy awareness. Both the City and Con Edison, in conjunction with ownership organizations like REBNY and BOMA, have been out lining pro-active plans to avoid brownouts and blackouts this summer.

The most widely publicized efforts have been conducted by Con Edison and the City of New York on the subject of increased generation capacity. The addition of "temporary" generators that will provide almost 400 additional megawatts of power have garnered accolades from the real estate industry, yet angry tirades from several of the communities in which they have been situated. In addition, the Indian Point two-power plant located in Westchester County is once again operational. These solutions are deemed to be stop-gap measures and should afford New York City with some additional levels of confidence, ensuring that, given any unseen calamity, there will be more than enough electrical generation capacity for the next several years.

A less visible but equally important effort is being conducted behind the scenes by Insignia/ESG. Our initiatives are focused primarily upon energy reduction, conservation and emergency planning. With almost 28 million square feet under management in New York City, in some of the most prestigious and important buildings in the world, Insignia/ESG has initiated a pro-active plan aimed at minimizing the exposure to our owners.

Early this year, under the direction of Wayne Taub and Bob Breschard of Insignia/ESG, we commenced a multi-phased program in our buildings. First, we required that all our properties prepare an energy crisis contingency plan focusing upon three key areas: 1)

central plant and base building operations; 2) tenant operations; and 3) blackout contingency plans. Detailed plans have been developed that identify the means and mechanisms to reduce and conserve power on either base building or tenant-run equipment. Emergency generator supported equipment has been identified and deficiencies noted and addressed.

We've also has established an in-house Energy Committee to focus upon the key issues that impact our properties, namely: electric power supply, energy conservation, energy demand reduction, portable emergency generator power and emergency preparedness. We solicited experts in each of these areas and prepared a series of recommendations and related initiatives which were shared with our owners. The positive response and acceptance from ownership and tenants has been overwhelming.

In addition, Insignia/ESG has been exploring numerous utility and government sponsored programs in an effort to bring about reduced consumption and lower operating costs at all our properties. These include Con Edison sponsored programs such as the Emergency Demand Response Program and the Voluntary Load Reduction Program both of which incentivise buildings to reduce power demand loads in exchange for significant economic savings. Plus, we have been working vigorously with General Electric Lighting and National Energy Services Corp. to evaluate and certify our buildings under the Energy Star Program sponsored by the EPA. A staged process, the Program examines the energy use of an entire building including lighting, operational efficiencies, building controls, load reduction strategies (such as those provided by Con Edison) and equipment upgrades. Se curing the Energy Star Building Label will certify that a property is in the top 25 percentile in energy efficiency. Ownership will know that its building is operating at the highest level of cost effectiveness.

Social consciousness is an admirable trait. Although it would be gratifying to think that most owners will readily spend money out of the goodness of their hearts to upgrade buildings, unfortunately this is New York real estate and money talks. In order for these programs to work, quantifiable bench marks need to be in place to measure savings. Energy accounts for at least 25 percent or more of a building's operating costs. The ability to prove that modifications to building systems and participation in energy conservation programs really work, will quickly equate to better economic returns. This pragmatic approach sits well with investors, lenders and owners alike.

In order to accomplish this goal, Insignia/ESG has partnered with some of the leading energy consultants in the country, including GE Lighting and National Energy Services to analyze and evaluate the properties we manage. Together, we are identifying measures that are tailored to each property, along with clear economic analysis. Thus far, the

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**Business Wire**April 6, 2001

**Plant Divestitures Could Save Nevada Power Ratepayers $281 Million Over Five Years, Energy Expert Testifies.**

Business Editors

LAS VEGAS--(BUSINESS WIRE)--April 6, 2001

Nevada ratepayers could benefit from $266 to $281 million if the proposed divestiture of certain Nevada Power Co. plants is approved, said energy expert Susan Tierney, testifying today before the Public Utility Commission (PUC) of Nevada.

"An across-the-board moratorium on divestiture would increase Nevada Power's costs, and raise the potential market-power concerns, institutional risk and uncertainty, equity concerns, procedural concerns, and diverse regulatory implications," said Tierney, testifying on behalf of several competitive power suppliers and Electric Power Supply Association members.

Tierney is vice president of Lexecon, Inc., and a former Commissioner of the Massachusetts PUC. Most recently, she held the position of assistant secretary for policy at the U.S. Department of Energy. In a recent presentation to the state Senate Committee on Commerce and Labor, Nevada's Bureau of Consumer Protection (BCP) requested that the PUC place a moratorium on any power plant divestitures throughout the state.

Tierney, asked to evaluate the BCP presentation, found many discrepancies in the methodology that led to BCP's assertions that a moratorium on divestitures would be in the consumers' best interests. Citing several errors in BCP's analysis, including the absence of important cost and revenue items, Tierney urged the commission to proceed with the proposed divestitures as the commission had originally ordered and approve the sale of the plants.

"These errors are fatal flaws from an analytic point of view, and cause the results of the BCP analysis to have no credibility," she

said. "This analysis does not use an appropriate methodology for calculating ratepayer benefits from divestiture. The commission should give it no weight in the current proceeding."

Tierney noted that proceeding with the divestiture is a positive step toward achieving effective competition and will effectively minimize any market power in the Nevada electricity market.

The sale of electric generating assets requested by Nevada Power is similar to actions being taken across the United States, as previously regulated electric utility monopolies move to a competition-based model. The purchasers of these facilities often include EPSA member companies that have extensive experience in the development and operation of generating facilities, with a focus on the efficient operation, maintenance and expansion of these facilities.

Editors Note: A complete copy of Dr. Tierney's written submission to the Nevada PUC will soon be available on the EPSA Web site at www.epsa.org, or by contacting Simone Byrd at 202/628-8200, sbyrd@epsa.org.

EPSA is the national trade association representing competitive power suppliers, including independent power producers, merchant generators and power marketers. EPSA members provide reliable, competitively priced electricity from environmentally responsible facilities in U.S. and global power markets. EPSA seeks to bring the benefits of competition to all power customers.

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**Business Wire**April 19, 2001

**Electric Power Supply Association Tells FERC That New California ISO Board and Its Flawed Market Plan Must Go.**

Business/News Editors & Political/Energy Writers

WASHINGTON--(BUSINESS WIRE)--April 19, 2001

The Electric Power Supply Association (EPSA) told federal regulators today that a lack of political and market independence in the governance of the California Independent System Operator (CAISO) is the first of several fatal flaws in the grid operator's proposed market stabilization plan.

"EPSA believes that the time has come for the commission to enforce its Dec. 15 order mandating a truly independent CAISO," the association said in a filing with the Federal Energy Regulatory Commission (FERC). "The first step in such enforcement is to replace the incumbent CAISO board with an independent board."

According to the comments, the CAISO continues to be transformed from an "independent operator" of interstate transmission resources to a partisan advocate for the state, now the dominant marketplace buyer through its Department of Water Resources (DWR).

"Because of the conflicts inherent in the politicization of the CAISO, there exists a more urgent need for the commission to remedy the situation than was the case in November 2000," said EPSA, citing the lack of an independent ISO board as the source of a series of other fatal flaws in the market plan.

"Rather than presenting a well thought out, comprehensive market-stabilization plan, developed with meaningful stakeholder input, the CAISO has proposed a half-baked radical restructuring of the California market, recycling calls for counterproductive price controls and suggesting the implementation of bits and pieces of eastern ISO markets."

Because of the regional nature of the wholesale power markets in the West, the association also said it is vitally important that FERC ensure that all market participants are treated fairly and comparably.

"The consequences of the political power being exercised over the CAISO are palpable. The CAISO has taken positions before the commission, unrelated to the reliability of the transmission system, which were unashamedly intended to favor the interests of the State of California and DWR over other market participants in negotiations for the sale of energy."

"While it may be politically expedient to blame high prices on 'market power,' market stabilization and repair must focus on the critical issues of poorly designed markets, inadequate generation resources and deficient infrastructure," according to EPSA's filing. "A continued witch hunt for evidence of market power, together with continuing credit problems, now pose the greatest obstacle to the promise and potential of robust competitive markets and the enhanced reliability they will provide."

"Equally important, establishment of an independent CAISO is vital to the long-term resolution of California's energy problems and the stability of the entire western region," EPSA said.

EPSA is the national trade association representing competitive power suppliers, including independent power producers, merchant generators and power marketers. EPSA members provide reliable, competitively priced electricity from environmentally responsible facilities in U.S. and global power markets. EPSA seeks to bring the benefits of competition to all power customers.
Note to Editors: A complete copy of EPSA's filing will soon be available on the EPSA Web site at www.epsa.org, or by contacting Simone Byrd at 202/628-8200, sbyrd@epsa.org.

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**Business Wire**Oct 29, 1998

**Potential for Lower Prices Only One Part of Utility Restructuring Story.**

TRENTON, N.J.--(BUSINESS WIRE)--Oct. 29, 1998--In the latest round of testimony on electric power industry restructuring in New Jersey, GPU Energy emphasized today that the potential for lower prices is only one part of the story of utility restructuring.

GPU Energy Northern Area Vice President Steve Nicholl told the Senate Economic Growth, Agriculture and Tourism Committee, "we believe that a competitive marketplace is more effective at lowering prices than government control has been or will be. But the potential for lower prices is only one part of the story of utility restructuring."

Nicholl stressed that consumers must be prepared for the transition to shopping for electricity. "We cannot just pick up a customer and drop him or her into the new, unknown land of electric competition," he said. "They will need an orientation and a map for the new land."

Nicholl also said that while some have expressed concerns about possible environmental effects that might result from competition, its benefits should not be overlooked. "Giving customers a choice of power suppliers allows them to seek out environmentally beneficial or green power sources or to choose less-polluting sources of electricity.

Add One

"GPU is strongly committed to a clean environment. We are proud of our environmental record and our history of cooperation with the New Jersey Department of Environmental Protection. In fact, environmental stewardship is one of the values within GPU's vision of a new electric utility industry. We believe that environmental stewardship and electric power supply are not mutually exclusive goals."

Nicholl told the Senate committee it was important that they be clear about the impact of adding environmental and social programs

at this time. "Competition is all about allowing the market to make decisions," he said. "The more that is mandated, the less room there will be for market forces and competition will fail. We feel that the benefits of electric competition are too important to jeopardize."

Nicholl echoed GPU Energy's theme from Monday's hearings. "Reliability is important. That point cannot be over emphasized. Reliability must be maintained, without it competition will fail," he stressed. "By reliability, I mean simply that, whenever you push the switch, the lights come on. We believe that customers can enjoy both reliable service and the benefits of electric competition, providing that the legislation is fair and balanced."

Nicholl testified as part of a series of hearings chaired by Senator Martha W. Bark (R-08). The next hearing covering competitive services and customer account services is scheduled for November 10 in Trenton.

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